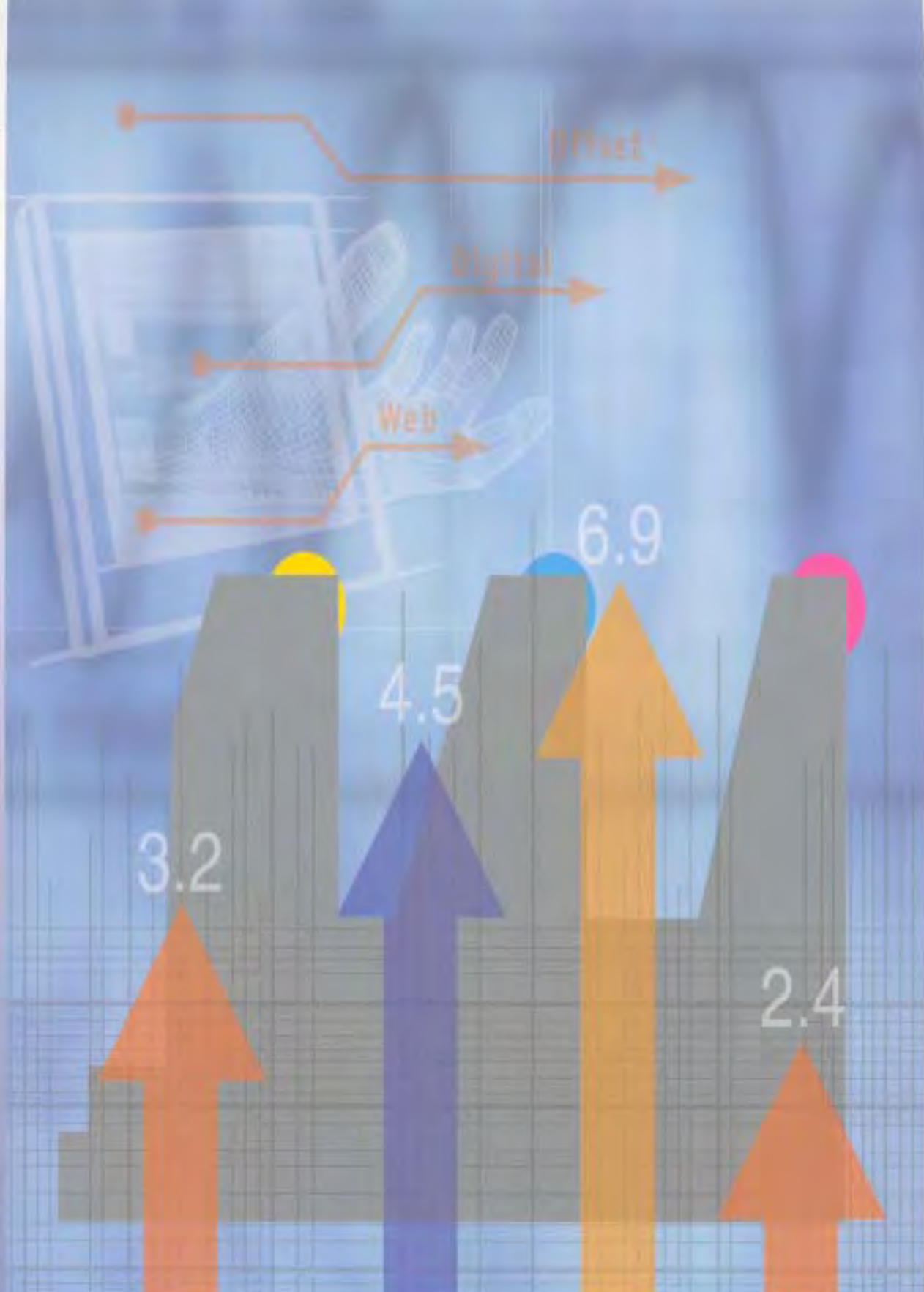




PRINTING INDUSTRY TRENDS



December Quarter 2008

TRENDS

Volume 22 Number 4

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The Printing Industries Association of Australia has undertaken quarterly surveys of the paper, paper products, printing and publishing industry since 1987. For the December 2008 quarter, questionnaires were distributed to 300 companies.

Survey methodology and interpretation of survey results

* Reference in the survey is made to net balance or results obtained on balance. These results are obtained by subtracting the number of ups from downs for a given survey question. For example, if 40 per cent of survey respondents report sales have improved while 30 per cent report sales have deteriorated, then the resulting net balance result is a positive 10 per cent (40 per cent minus 30 per cent).

In the example above the positive net balance of 10 per cent does not mean that sales have increased by 10 per cent. What it means however is that the proportion of respondents reporting improvements in sales outnumbered those respondents reporting deterioration in sales by 10 per cent. While net balance outcomes do not measure the magnitude of change for a given indicator they present the directional movement (emerging trends) of key indicators.

* Copies of the **Printing Industry Trends** survey can be obtained by contacting:
Hagop Tchamkertenian, National Manager – Policy and Government Affairs on (02) 8789 7300.

* The annual subscription rates for four issues are: \$60 members; \$120 non-members.
Individual hard copies are also available on request: \$20 members; \$40 non-members.
Electronic copies are also available on request: \$20 members; \$40 non-members.
More detailed reports can also be prepared on request.

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Overview of Results

National Results

The Printing Industry Trends Report for the December 2008 quarter reveals significant deterioration in business confidence compared to the same period a year earlier.

Key December 2008 quarter developments include:

- Reduced orders and production;
- Reduced sales and net profits;
- Reduced employment and overtime levels;
- Reduced selling prices;
- Reduced investments in plant and machinery;
- Finance reported harder to obtain;
- Labour reported easier to obtain
- No change reported in material stocks;
- Rising cost pressures across all cost categories; and
- Increased number of outstanding debtors.

According to expectations there should be:

- Net balance reductions in orders, production, sales and net profits during the March 2009 quarter;
- Decreased investment in plant and machinery during the next six months;
- Modest recovery in selling prices;
- Reduced availability of finance;
- Increased availability of labour;
- Reduced employment and overtime levels;
- Further increases in all production cost categories - average wages, other labour costs, and average material costs;
- Reduced stock levels; and
- Increased number of outstanding debtors.

State Results

The outlook for general business expectations over the next six months remains weak with respondents from all states forecasting deterioration.

The most pessimistic state is Western Australia with a net balance of 54.6 per cent followed by Queensland with a net balance of 52.6 per cent.

Overview of Results

State Results

On net balance basis respondents from most states reported reduced levels of orders and production during the December 2008 quarter. Defying the downward trend were respondents from Tasmania who reported increased orders and production levels.

Based on expectations, orders and production are likely to fall over the outlook period across all states.

Increased material cost pressures were reported by respondents from all states during the quarter. Over the outlook period, companies from all states are forecasting further increases in material cost pressures.

The most pessimistic forecasts on material costs are emanating from companies in Western Australia and Tasmania with net balances of 81.8 per cent and 80.0 per cent respectively.

Companies from all states with the exception of Western Australia (no change) reported increased average wages during the December 2008 quarter.

Compared with other states, a higher proportion of companies from Victoria and New South Wales reported on net balance basis increased wages. Based on projections, the March 2009 quarter will see increased wage pressures across most states.

Increased selling prices were reported by respondents from Queensland, Tasmania and South Australia during the December 2008 quarter.

The largest net balance increases were reported by respondents from Tasmania and Queensland with net balances of 40.0 per cent and 15.8 per cent respectively.

Over the outlook period respondents from Victoria and Western Australia are forecasting a decline, respondents from South Australia and Tasmania are forecasting increased selling prices, while no change is the forecast of respondents from New South Wales and Queensland.

Overview of Results

State Results

Respondents from Victoria and Tasmania defied the negative trend and reported on net balance basis increased investment in plant and machinery during the six months leading up to the December quarter.

The forecasts for capital expenditure in plant and machinery are also weak over the outlook period with companies from only Tasmania forecasting increases.

Increased selling prices were reported by respondents from Queensland, Tasmania and South Australia during the December 2008 quarter.

The largest net balance increases were reported by respondents from Tasmania and Queensland with net balances of 40.0 per cent and 15.8 per cent respectively.

Over the outlook period respondents from Victoria and Western Australia are forecasting a decline, respondents from South Australia and Tasmania are forecasting increased selling prices, while no change is the forecast of respondents from New South Wales and Queensland.

Sectoral Results

The vast majority of product sectors are expecting general business conditions to deteriorate during the March and June 2009 quarters, while two sectors comprising of Greeting Cards, Calendars and Diaries and Cheques and Securities are forecasting improvements.

The December 2008 quarter outcome shows capacity utilisation/activity levels were reported as being higher in the Books, Magazines, Periodicals and Newspapers, Labels, Cheques and Securities and Business Forms and Continuous Stationery sectors.

Considerable levels of excess capacity seem to exist in the Greeting Cards, Calendars and Diaries, Graphic Reproduction, Screen Printing and Other Packaging and Paper Converting sectors.

Overview of Results

Sectoral Results

With most sectors reporting no change or reduced investment in plant and machinery, improvements during the past six months were limited to just four sectors comprising of Quick Printing, Greeting Cards, Calendars and Diaries, Other Packaging and Paper Converting and Books, Magazines, Periodicals and Newspapers.

As for investment in buildings reported improvements during the past six months were confined to just a single product sector – Books, Magazines, Periodicals and Newspapers.

The product sectors are either forecasting reduced investment or no change in plant and machinery over the next six months, while the Other Packaging and Paper Converting and Cheques and Securities sectors are forecasting increased investments.

All sectors reported increased material costs during the December quarter. Over the outlook period most sectors on net balance basis are forecasting further increases in material cost pressures.

The most pessimistic estimates are originating from the Labels, Trade Binding, Cheques and Securities, Digital Printing, General Promotional and Commercial, Books, Magazines, Periodicals and Newspapers, and Folding Cartons sectors.

Increased wage cost pressures were reported by the vast majority of product sectors during the December 2008 quarter. A majority of sectors are forecasting further increases during the March 2009 quarter.

With most sectors reporting either a decline or no change in average selling prices during the quarter, improvements in selling prices were confined to just five sectors comprising of Books, Magazines, Periodicals and Newspapers, Greeting Cards, Calendars and Diaries, Quick Printing, Business Forms and Continuous Stationery and Paper Merchants.

Over the outlook period most sectors are either forecasting no change or increased selling prices.

Four sectors comprising of Screen Printing, General Promotional and Commercial, Folding

Overview of Results

Sectoral Results

Cartons and Business Forms and Continuous Stationery are forecasting reductions.

With the vast majority of sectors reporting increases in the number of outstanding debtors during the December 2008 quarter, improvements were confined to just the Cheques and Securities sector.

Significant improvements in the number of outstanding debtors over the outlook period are highly unlikely given that respondents from most sectors are either anticipating further increases or no change over the March quarter. Forecast improvements over the outlook period are limited to just the Other Packaging and Paper Converting sector.

Summary

Activity levels failed to lift during the December 2008 quarter due to the current economic downturn in the Australian economy.

Deteriorations were reported in a number of key industry indicators including orders, production, sales, net profits, employment and overtime levels. Other reported developments included increased cost pressures, increased difficulty in obtaining finance, further falls in selling prices and rising number of outstanding debtors.

Capital expenditure in both buildings and plant and machinery was reported to have declined on a net balance basis.

Labour availability was reported to have increased on the back of industry wide cutbacks to the labour force.

Over the outlook period, the respondents are expecting further net balance deteriorations to take place in a number of key industry indicators including orders, production, sales, net profits, employment and overtime levels.

Overview of Results

Summary

And despite the Federal Government's new temporary investment allowance, capital expenditure intentions remain negative for the March and June 2009 quarters.

Further increases across all production cost categories, reduced levels of material stocks, increased availability of labour but reduced availability of finance, modest net balance rise in selling prices, and increased number of outstanding debtors round up the forecasts.



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